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BUSINESS | Updated April 3, 2013, 11:54 p.m. ET

Samsung Sets Up Boutique in Best Buy

Electronics Retailer Will Have Dedicated Boutique for When Galaxy S4 Debuts

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By ANN ZIMMERMAN

LEWISVILLE, Texas—[Best Buy Co.](#) ([BBY -2.65%](#)) has figured out what to do with some of the empty space in its cavernous stores: Turn it over to Samsung.

After what it says was a successful experiment in this town north of Dallas, the struggling consumer-electronics retailer has decided to carve out prime real estate near the front of its stores to create Samsung-operated boutiques.



Samsung Electronics

Best Buy's new Samsung minirestore inside a store in Lewisville, Texas.

The dedicated departments, which will carry an array of the manufacturer's mobile devices, cameras and accessories, are set to open as Samsung starts selling its new smartphone, the Galaxy S4, in the second quarter.

For the first time, [Samsung Electronics Co.](#) ([005930.SE -0.54%](#)) is recruiting and training a fleet of retail workers who will staff the majority of the boutiques. Unlike

rivals [Apple Inc.](#) ([AAPL +2.16%](#)) and [Microsoft Corp.](#), ([MSFT -0.47%](#)) Samsung has no stores of its own in the U.S.

Best Buy already has special sections devoted to Apple products, but the Samsung departments will be bigger and allow customers to buy products without going through the main checkout lines.

Samsung sees the boutiques as an opportunity to educate shoppers about its products and sell some of its less-well-known gadgets, said Ketrina Dunagan, a Samsung marketing vice president.

On Best Buy's side, the new departments are part of Chief Executive Hubert Joly's effort to focus the stores on fast-selling products and strengthen relationships with key vendors, said Jeff Haydock, a company spokesman.

Samsung is one of Best Buy's top five suppliers, according to the company's financial filings.



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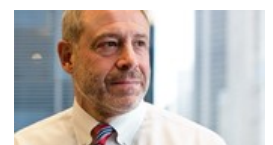


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Neither company would disclose financial details of the arrangement, but Best Buy said it will maintain its current profit margin on Samsung products sold at the dedicated departments.

The companies have spent several weeks here testing the mini-store, where a large glass sign that says "Samsung Galaxy S" hangs over a long wooden checkout counter. Customers can try out phones, tablets, laptops and cameras at four nearby tables; a 20-foot wall offers bright-colored covers for tablets and phones as well as other accessories. The departments will open in all of Best Buy's big-box stores by May 1 and at its smaller stores, which are devoted mostly to phones, by June 1.

Some customers at the Lewisville store said they liked features of the store-within-a store. Logan Ivy, a local firefighter, had stopped by to convince his wife, an iPhone owner, to switch to a Galaxy when the S4 comes out.

"This looks like a cellular store and you can actually play with the phones," Mr. Ivy said. Samsung has installed a new alert system in the phones that allows customers to handle the phones but makes them hard to steal.

The Richfield, Minn., retailer has struggled in recent years to redefine itself in the face of new competition from online-only rivals like [Amazon.com](#) AMZN -7.24% and retail giants such as [Wal-Mart Stores](#) Inc. WMT +0.50% As personal computers and DVDs fell out of favor with consumers, the company's sales stalled and it began losing money.

There was a glimmer of hope for the quarter ended Feb. 2, though, as Best Buy reported its first same-store sales gain in more than a year and trimmed its loss to \$409 million, compared with a loss of \$1.82 billion in the same quarter last year.

Write to Ann Zimmerman at ann.zimmerman@wsj.com

A version of this article appeared April 4, 2013, on page B2 in the U.S. edition of The Wall Street Journal, with the headline: Samsung Sets Up in Best Buy.

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